

**DRAFT**~~SECRET~~MEETING WITH THE NATIONAL SECURITY COUNCIL

DATE: May 24, 1985  
LOCATION: Cabinet Room  
TIME: 11:00 a.m. - 11:45 a.m.

FROM: ROBERT C. McFARLANE

I. PURPOSE

To give impetus to our efforts to stimulate economic renewal in Central America.

II. BACKGROUND

Between 1979 and 1983, Central America suffered a drastic decline of economic activity resulting from economic, social, political and security problems.

To reverse this trend, the Kissinger Commission made two principal recommendations: provide substantially increased military assistance to halt the Nicaraguan subversion of its neighbors and launch an \$8.4 billion economic assistance program to address the interdependent problems of the region.

The Administration's approach adheres to the Kissinger Commission recommendations for security and economic assistance. U.S. assistance of \$8 billion over five years will be a vital element in achieving regional growth. Most important, however, is the need for these nations to secure their long term economic future by establishing broad based, self sustaining private enterprise.

Unpopular economic adjustment in the face of difficult political situations will remain a fact of life for the region through the 1980's. In some cases, tough austerity programs may lead to political instability threatening democratic societies. In these circumstances, it may be necessary to temporarily waive U.S. economic conditionality for national security reasons. There will be a continuing need to tailor our conditionality to the specific factors at play in any given country, including the political and security environment.

Congress has initially agreed to the spirit of the Commission's recommendations and authorized \$400 million in U.S. assistance for emergency stabilization in FY 84 and additional funds for balance-of-payments support to finance essential imports for the private sector in 1985.

We have reasonable results one year after the Kissinger Commission report. Economic deterioration has been reversed but the countries face a very long rebuilding job which will

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2

require regional peace, U.S. assistance and market oriented economic reforms.

At this critical juncture, you need to lead the charge to reinvigorate our efforts. I recommend that you use this occasion to forcefully urge the Cabinet to do whatever they can in their departments to put Central American economic priorities to the forefront. They should be urged to send to you their ideas on what their departments can contribute (i.e., energy, commerce, trade, transportation, agriculture, treasury, etc.)

A concerted, integrated and coordinated effort which draws upon the imagination and energy of your Cabinet will put us much further ahead in achieving our objectives and thus make this one of the key legacies of your Administration. We have provided you talking points to stimulate such an effort (Tab A).

### III. PARTICIPANTS

Cabinet officers with an interest in Central America.

### IV. PRESS PLAN

White House Photo Opportunity.

### V. SEQUENCE OF EVENTS

Presentation of Interagency Study (NSC staff)  
Security and Economics (Secretary Shultz)  
Economic Policy Reforms (Secretary Baker)  
AID Programs (Administrator McPherson)  
Open Discussion

### Attachments

Tab A Talking points  
B Executive summary

Prepared by:  
William F. Martin  
Raymond F. Burghardt

*Need peace to have econ. growth  
" econ. growth to have peace*

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